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FM SECSTATE WASHDC

TO AMEMBASSY MANILA

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E.O. 11652: N/A

TAGS: ETRN, RP

SUBJECT: CIVAIR: NEGOTIATIONS

FOR US CIVAIR DELEGATION

1. FOLLOWING ARE SUBSTANTIVE PORTIONS CAB LETTER ON PHILIPPINE TALKS. GILLILLAND, WHO EXPECTS ARRIVE THURSDAY MORNING, CARRYING COPY.

A. ANY AGREEMENT INITIALED SHOULD RETAIN ALL PROVISIONS REQUIRED ENSURE AND SAFEGUARD OPERATIONS OF RESPECTIVE CARRIERS. IF PHILIPPINES RELUCTANT INITIAL SUCH AGREEMENT, EVEN ON DEFERRED BASIS, US SHOULD GIVE SERIOUS CONSIDERATION AS TO WHETHER IT IN OUR OVERALL BEST INTEREST CONTINUE PATTERN OF EXISTING SERVICE, ON BOTH SIDES.

B. US SHOULD AVOID GRANTING UNREASONABLE AND EXPANSIVE ROUTE AUTHORITY TO FOREIGN CARRIERS, ESPECIALLY WHEN TO DO SO WOULD ENABLE SUCH CARRIERS EXPLOIT PREDOMINATELY US TRAFFIC. IN CY 1973 THERE WERE ONLY 11,411 PHILIPPINE BUSINESS AND PLEASURE VISITORS TO US (DOWN NEARLY 55

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PERCENT FROM PREVIOUS YEAR). FOR SAME PERIOD THERE WERE

63,146 US VISITORS TO PHILIPPINES. THUS IN 1973, US VISITORS COMPRISED 85 PERCENT OF US-PHILIPPINE NATIONALS TRAVELLING BETWEEN TWO COUNTRIES.

C. FOLLOWING TABLE ILLUSTRATES THE MAJOR CONTRIBUTION US VISITORS MAKE TO PHILIPPINE TOURISM:

AIR TOURIST ARRIVALS IN THE PHILIPPINES 12 MONTHS ENDED FEBRUARY 1974.

COUNTRY OF ORIGIN.... VISITORS.....PERCENT OF TOTAL

UNITED STATES.....	61,825.....	28.2
JAPANESE.....	47,058.....	21.4
CHINESE.....	19,779.....	9.0
AUSTRALIAN.....	14,354.....	6.5
BRITISH.....	36,226.....	16.5
ALL OTHERS.....	40, 214.....	18.4
TOTAL.....	219,456.....	100.0

D. BOARD HAS REVIEWED US CARRIER SUBMISSIONS AND ANALYZED TRAFFIC CARRIED BY PAL AND HAS CONCLUDED THAT REVENUE BENEFITS ARE RELATIVELY BALANCED. FOLLOWING DATA OUT-LINE REVENUES DERIVED FOR CY 1973:

UNITED STATES..PASSENGERS....CARGO.....TOTAL

PAN AMERICAN...	\$13,500,000...	\$1,600,000...	\$15,100,000
NORTHWEST.....	7,200,000.....	600,000.....	7,800,000
FLYING TIGER.....	1,500,000.....	1,500,000	
TOTAL.....	\$20,700,000...	\$3,700,000...	\$24,400,000

PHILIPPINES....\$20,300,000...\$1,300,000...\$21,600,000

E. IN OUR VIEW, FOLLOWING CONTAIN INGREDIENTS OF EQUITABLE NEGOTIATING POSITION:

(1)--US SHOULD BE AGREEABLE TO A DEFERRED UNDERSTAND-LIMITED OFFICIAL USE

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ING ON "BERMUDA" FOR PERIOD UP TO 18 MONTHS. AFTER WHICH TIME CAPACITY LEVELS WOULD BE SUBJECT ONLY TO PROVISIONS OF AGREEMENT. US COULD ACCEPT PRESCREENING PROVISION WHICH WOULD REQUIRE EACH COUNTRY REVIEW PROPOSED CAPACITY INCREASES ASSURE THAT THEY WERE CONSISTENT WITH AGREEMENT.

(2)--AS A BASIS FOR RESUMPTION OF TALKS WE SHOULD SEEK

SIMPLIFIED REALISTIC ROUTE FOR US--"FROM US TO TWO POINTS OF OUR CHOICE IN PHILIPPINES, VIA INTERMEDIATE POINTS, AND BEYOND." THE BOARD BELIEVES WE SHOULD ELIMINATE SPECIFICATION OF GEOGRAPHIC AREAS AND SEEK OPEN BEYONDS. AGAIN, WE COULD ACCEPT DEFERRAL OF CERTAIN BEYONDS FOR

PERIOD OF TIME SIMILAR TO DEFERMENT OF "BERMUDA"--18 MONTHS.

(3)--AS FOR PHILIPPINE ROUTE, RATHER THAN ATTEMPT SPECIFY POINTS, WE SHOULD INDICATE OUR WILLINGNESS ENTERTAIN A REASONABLE ROUTE REQUEST. CONSONANT WITH THIS VIEW, US SHOULD CONSIDER GIVING PHILIPPINES OPTION OF SELECTING ANY FOUR US POINTS BETWEEN PHILIPPINES AND US WEST COAST PROVIDED THAT NO TWO ARE IN SAME STATE, TERRITORY OR POSSESSION. US COULD RELUCTANTLY AGREE INCLUDE INTERMEDIATE POINT FOR PHILIPPINES ON THIS ROUTE PROVIDED THAT ANY SERVICE BETWEEN INTERMEDIATE AND A CALIFORNIA POINT WOULD ALSO SERVICE HONOLULU ON MANDATORY STOP BASIS. IN THIS CIRCUMSTANCE WE WOULD NOT ENTERTAIN "BEYONDS" FOR PHILIPPINES. US COULD INDICATE ITS WILLINGNESS TO CONSIDER "BEYONDS" AT LATER DATE IF US TERMINALS WERE LIMITED TO LESS THAN THREE POINTS IN SEPARATE STATES OR TERRITORIES INSTEAD OF FOUR.

(4)--BOARD HAS CONSIDERED FULL IMPLICATIONS OF A MANDATORY STOP (AT HONOLULU) AND HAS CONCLUDED THAT, EXCEPT FOR SERVICES BETWEEN CALIFORNIA AND PHILIPPINES VIA AN INTERMEDIATE, IT COULD BE REMOVED. THE REASON FOR MANDATORY PROVISION HAS HISTORICALLY BEEN PROTECTION OF NORTHWEST'S COMPETITIVE POSITION AND THIS CAN BE ACCOMPLISHED BY CONSTRUCTION OF THE PHILIPPINE ROUTE AS INDICATED ABOVE. JAPAN-US WEST COAST NONSTOP MARKET REMAINS ONE OF MOST LIMITED OFFICIAL USE

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IMPORTANT IN PACIFIC AND BOARD RECOMMENDS THAT THIRD COUNTRY CARRIERS BE KEPT OFF THIS ROUTE INsofar AS POSSIBLE.

(5)--OUR POSITION SHOULD BE THAT GUAM REMAINS NEGOTIABLE. HOWEVER, US SHOULD REJECT ALL ATTEMPTS EQUATE FLYING TIGER'S ENTRY INTO PHILIPPINES WITH PHILIPPINE REQUEST FOR GUAM. USDEL SHOULD ALSO BE AUTHORIZED INDICATE EXPEDITIOUS PROCESSING OF PAL'S PENDING 402 GUAM APPLICATION WOULD BE INSTITUTED PROVIDED AN UNDERSTANDING IS REACHED DURING TALKS.

F. EARLY THIS YEAR GOP ALLEGED THAT BOARD REFUSED ACT ON AIR MANILA REQUEST FOR CHARTER AUTHORITY. AFTER REPEATED CONTACTS, BOARD STAFF HAS BEEN ADVISED BY THAT

COMPANY'S COUNSEL THAT 402 CHARTER APPLICATION WILL BE
SUBMITTED THROUGH DIPLOMATIC CHANNELS. PHILIPPINE
ALLEGATION APPEARS BE AN ATTEMPT DISCREDIT US BY
INFERRING THAT WHILE THEY HAVE BEEN RECEPTIVE TO CHARTER
REQUESTS FROM TIA, WE HAVE DENIED RIGHTS TO AIR MANILA.
USDEL SHOULD EXPRESS WILLINGNESS CONSIDER ANY APPLICATION

FOR FOREIGN CHARTER AIR CARRIER PERMIT BASED ON RECIPRO-
CITY.

G. IF IT APPEARS THAT DESPITE THE BEST EFFORTS OF USDEL,
NO UNDERSTANDING CAN BE REACHED, BOARD RECOMMENDS THAT
PHILIPPINES BE TOLD OF BOARD PLANS TO ISSUE THE PENDING
213 ORDER DISAPPROVING PAL'S SCHEDULES. KISSINGER

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